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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 AID-20 OMB-01 TRSE-00 SAJ-01

ACDA-19 MC-02 EB-11 COME-00 IGA-02 CIEP-02 DRC-01

/144 W
---------- 109648
O 021514Z JUL 74
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC IMMEDIATE 4010
INFO SECDEF WASHDC IMMEDIATE
USCINCEUR IMMEDIATE
CHJUSMAGG ATHENS

C O N F I D E N T I A L SECTION 1 OF 2 ATHENS 4209

E.O. 11652: GDS
TAGS: MASS GR US
SUBJ: REPLY TO SHAFC LETTERS TO CHJUSMAGG

REF A. ATHENS 4126 B. STATE 139042 C. STATE 133798
D. CHJUSMAGG 171340Z MAY 74 E. ATHENS 3724

SUMMARY: CHJUSMAGG LETTER TO SHAFC SHOULD ADDRESS ISSUES OF LOAN OR NOMINAL SALE PROVISION OF MILITARY EQUIPMENT AND MAKE EXPLICIT STATEMENT THAT REMOVAL OF EXISTING LEGISLATIVE CONSTRAINTS ON MILITARY ASSISTANCE TO GREECE NOT POSSIBLE UNDER PRESENT CIRCUMSTANCES. END SUMMARY.

1. EMBASSY AND JUSMAGG HAVE REVIEWED DEVELOPMENTS OVER PAST SIX MONTHS IN GREEK FORCE MODERNIZATION PLANNING AND U.S. EFFORTS TO ASSIST IN ITS IMPLEMENTATION. TWO THEMES CONTINUE TO APPEAR DESPITE PERSISTENT EFFORTS OF EMBASSY AND JUSMAGG TO ACQUAINT GOG MILITARY AND CIVILIAN LEADERS WITH FACTS OF SITUATION: (A) THAT USG
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COULD PROVIDE MODERN EQUIPMENT ON LOAN OR AT "SYMBOLIC"

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("NOMINAL" OR "TOKEN") PRICES; AND (B) THAT IF USG SO
WISHED, IT COULD EXTEND CREDITS BEYONG $71 MILLION ANNUAL
LEVEL FIXED BY HAYES AMENDMENT. WE BELIEVE THAT PANAYOTACOS
SHOULD BE GIVEN FACTS ON THESE QUESTIONS IN HIS JULY 3
CALL. PANAYOTACOS REPORTING TO ATHENS APPARENTLY HAS NOT
IMPRESSED FONOFF, SO ANYTHING LESS THAN CRYSTAL CLARITY
IN DISCUSSING THESE ISSUES WITH HIM LIKELY TO RESULT IN
CONTINUED OBFUSCATION.

2. WE BELIEVE THAT LETTER FROM CHUSMAGG TO SHAFC SIMILARLY
SHOULD CONVEY TO GOG TRUTH OF LIMITATIONS ON USG ABILITY
TO ASSIST IN GOG FORCE MODERNIZATION PROGRAM IN SYMPATHETIC
BUT FORTHRIGHT MANNER. ANYTHING LESS WOULD PERPETUATE
ILLUSIONS, PERHAPS HONESTLY HELD BY GOG, ABOUT USG CAPACITY
TO MEET GREEK EQUIPMENT NEEDS THROUGH EXTRAORDINARY ACTIONS.
IT IS ALSO POSSIBLE THAT THESE ILLUSIONS ARE IN FACT
GREEK SELF-DELUSIONS ABOUT WHAT IT CAN EXTRACT FROM USG
IN CONTEXT OF CONTINUING BASE RIGHTS NEGOTIATIONS. IN
LATTER CASE, GOG PERSISTENCE MAY BE POLITICAL ACT IN WHICH
CURRENT GREEK REGIME IN EFFECT IS TELLING USG THAT, IF
GREECE IS SO VITAL TO SECURITY INTERESTS OF US, NATO, OR
WEST, USG SHOULD BE PREPARED NOT JUST TO ACCEPT BUT TO
EMBRACE CURRENT REGIME ON LATTER'S TERMS.

3. IN LIGHT OF NON-REPRESENTATIVE NATURE OF GOG AND ITS
OBVIOUS RELUCTANCE TO BEGIN NORMALIZATION, WE REGARD EX-
TENT TO WHICH USG HAS GONE IN FACILITATING GOG AIRCRAFT
PURCHASES (TO INCLUDE, PERHAPS, PENDING C-130 SALES) AS
MOST WHICH IN ABSENCE OF FUNDAMENTAL POLITICAL CHANGE USG
SHOULD DO IN WAY OF GOVERNMENT, OR GOVERNMENT-GUARANTEED,
FINANCING OF MILITARY EQUIPMENT PURCHASES. HOWEVER
WORDED, WE HAVE IN EFFECT GIVEN MULTI-YEAR UNDERTAKING
FOR MAXIMUM CREDIT LEVEL PERMITTED UNDER HAYES AMENDMENT.
FACT THAT THIS MODERNIZATION OF HAF LONG OVERDUE AND
ASSISTS GREECE IN MEETING NATO FORCE GOALS ARE QUITE
JUSTIFIABLE REASONS FOR ACTIONS TAKEN BY USG. WE ASSUME
THAT, EVEN IF USG SO INCLINED, ANY EFFORT BY USG TO BREACH
HAYES AMENDMENT LIMITATION WOULD BE REBUFFED BY CONGRESS,
PERHAPS REDOUNDING TO DETRIMENT OF CURRENT USG UNDERTAKINGS
TO GREECE.
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4. DESPITE FOREGOING VIEWS ON GREEK POLITICAL FRAMEWORK
AND WHAT, WE BELIEVE, OUGHT TO BE ITS INHIBITING EFFECT ON
SEEKING ANY CHANGE IN LIMITATION OF USG DIRECT OR
GUARANTEED FINANCING, FACT REMAINS THAT VERY SIGNIFICANT
SALES MIGHT BE REALIZED ON FMS CASH AND/OR COMMERCIAL BASIS
PROVIDED SATISFACTORY PRIVATE CREDIT LINES ARE DEVELOPED.
EXPERIENCE WITH RECENT USG OFFER OF GUARANTEED $10 MILLION

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CREDIT INDICATES THAT THIS MAY NOT BE POSSIBLE WITH CURRENT HIGH COST OF MONEY. SHAFC LETTER OF JUNE 24 (REF A) BRINGS TO USG ATTENTION THAT FIRGATE PURCHASES ARE NEXT HIGHEST PRIORITY AFTER AIRCRAFT. SALE OF FRIGATES TO GOG REPORTEDLY ALSO WOULD CARRY SOME BENEFIT TO U.S. NAVY, THROUGH KEEPING PRODUCTION FLOW GOING IF CONGRESS DENIES FUNDING FOR CONSTRUCTION AT DESIRED RATE. THUS, TO EXPLOIT SALES POTENTIAL OF U.S. NAVY PATROL FRIGATE (PF) TO MAXIMUM AND TO ASSIST U.S. NAVY, WE BELIEVE THAT EVERYTHING POSSIBLE SHOULD BE DONE TO FACILITATE PF SALE TO GOG BUT ON STRICTLY FMS CASH AND/OR COMMERCIAL BASIS. OTHER POSSIBLE FMS CASH SALES CASES SHOULD ALSO CONTINUE TO BE EXPEDITED WITH MAXIMUM FACILITY.

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CHJUSMAGG ATHENS

C O N F I D E N T I A L SECTION 2 OF 2 ATHENS 4209

5. IN ORDER TO HAVE LETTER FROM CHUSMAGG (TEXT PROVIDED REF C) REFLECT MOST RECENT DEVELOPMENTS, WE RECOMMEND THAT FIRST SENTENCE OF SECOND PARAGRAPH BE CHANGED TO READ "THE RECENT OFFER TO PROVIDE ADDITIONAL FY 1974 FMS CREDITS IS ALSO AN INDICATION OF OUR SUPPORT FOR HELLENIC FORCE MODERNIZATION."

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6. IN ORDER TO ADDRESS IN FULLER MEASURE THE ISSUES RAISED IN MORE RECENT SHAFC LETTERS (REFS A AND D), WE RECOMMEND FURTHER TWO PARAGRAPHS BE ADDED TO CHJUSMAGG LETTER, AS FOLLOWS:

"IN SEVERAL COMMUNICATIONS, THE GOVERNMENT OF GREECE HAS SUGGESTED THAT MAJOR ITEMS OF MILITARY EQUIPMENT BE LOANED OR LEASED TO IT ON THE MODEL OF THE VERY USEFUL SHIP LOAN PROGRAM. HOWEVER, LEGISLATIVE AUTHORITY EXISTS ONLY FOR THE SHIP LOAN PROGRAM, AND IT IS NOT FEASIBLE TO SEEK SUCH AUTHORITY FOR THE PROVISION TO THE UNITED STATES' ALLIES OF OTHER CATEGORIES OF MILITARY CONFIDENTIAL

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EQUIPMENT. THE PROVISION OF THESE MILITARY ASSETS HAS BEEN ACCOMPLISHED IN RECENT YEARS THROUGH THE LONG SUPPLY AND EXCESS PROGRAMS. THE CONGRESS ENACTED LEGISLATION IN 1970 WHICH ESTABLISHED A MINIMUM VALUATION FOR LONG SUPPLY AND EXCESS MATERIAL, AND GREECE HAS ACQUIRED MUCH USEFUL EQUIPMENT AT THIS RELATIVELY LOW COST, AS HAVE OTHER CLOSE ALLIES OF THE UNITED STATES. IN VIEW OF THE ESTABLISHMENT OF THIS STATUTORY MINIMUM VALUATION, IT IS NOT POSSIBLE TO PROVIDE MILITARY EQUIPMENT AT 'SYMBOLIC' OR 'NOMINAL' PRICES. HOWEVER, MY GOVERNMENT WILL CONTINUE TO REVIEW ITS MILITARY ASSETS IN ORDER TO MAKE AVAILABLE TO THE HELLENIC ARMED FORCES ADDITIONAL EQUIPMENT AT THE LOWEST CIST CONSISTENT WITH EXISTING LAWS.

"IN HIS LETTER OF JUNE 13, AMBASSADOR TASCA EXPRESSED THE INTENTION OF THE UNITED STATES GOVERNMENT TO SEEK FUNDING FROM THE CONGRESS WITHIN THE EXISTING LEGISLATIVE CONSTRAINTS TO HELP MEET THE COSTS OF THE AIRCRAFT PROCUREMENT PROGRAM OF THE HELLENIC AIR FORCE. PAYMENTS DURING UNITED STATES FISCAL YEARS 1975-1978 ON THE ATTACK, TRAINING, AND TRANSPORT AIRCRAFT BEING ACQUIRED BY THE HELLENIC AIR FORCE WILL ABSORB ALL OF THE DIRECT OR GUARANTEED CREDIT WHICH THE UNITED STATES GOVERNMENT LEGALLY CAN MAKE AVAILABLE DURING THIS PERIOD. UNDER CURRENT CIRCUMSTANCES, IT WOULD NOT BE PRACTICAL TO SEEK THE REMOVAL OF THE LEGISLATIVE CONSTRAINT APPLYING SPECIFICALLY TO MILITARY ASSISTANCE TO GREECE. DESPITE THIS, MY GOVERNMENT RECOGNIZES THE GREAT IMPORTANCE OF CONTINUING THE FORCE MODERNIZATION PROGRAM UNDERTAKEN BY THE GOVERNMENT OF GREECE, AND, AS I HAVE NOTED ABOVE, WILL ATTEMPT TO ASSIST THE GOVERNMENT OF GREECE TO OBTAIN COMMERCIAL CREDITS TO FUND OTHER ACQUISITION PROGRAMS DURING THE PERIOD WHEN FAMS CREDITS ARE OTHERWISE ABSORBED OR UNTIL CONDITIONS PERMIT MY GOVERNMENT TO INCREASE THE LEVEL OF FMS CREDITS OFFERED." TASCA

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Draft Date: 02 JUL 1974
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